

## **EXHIBIT 49**

# **Banco Popular Group Resolution Plan**

Version: 2016

Security classification:

SRB-GREEN





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## 1. MANAGEMENT SUMMARY

### 1.1 KEY ELEMENTS OF THE RESOLUTION PLAN<sup>2</sup>

KEY ASPECTS OF RESOLUTION PLAN				
Strategic business analysis				
Ownership Structure	Publicly listed and traded shares			
Legal Structure (HoldCo / OpCo)	Feasibility of Bail-In: structure clearly established (Yes/No)			
OpCo	Yes			
Consolidated Balance Sheet (EUR bn)	158.6	Solvency Ratio % (Tier 1 Capital/RWA)		13.11% (phase-in) and 10.86 % (fully-loaded)
Consolidated Net Income (EUR bn)	0.106	Consolidated Return on Equity (%)		0.83%
Bank Ranking in the country (1 <sup>st</sup> /2 <sup>nd</sup> /3 <sup>rd</sup> )				6 <sup>th</sup> (Spain)
Geographic split (estimated % of consolidated assets)	BU (%)		EU/Non BU (%)	3 <sup>rd</sup> Countries (%)
	98.4%		0%	1.6%
Business split (on the basis of a % of assets under management in the jurisdiction)	Commercial banking: 62.3% Institutional area and markets: 29.0% Real estate: 7.6% Asset management and insurance:1.1%			
Business Model Description	<p>BPE is a predominantly domestic entity with a nationwide presence, whose business strategy is focused on SMEs, groups and families. The business model is centred on SMEs with a market share of 16.7% in Spain.</p> <p>Bank is the sixth largest banking group in Spain in terms of capitalisation. It has total assets of €158,650 million and serves 4.8 million customers through 2,000 branches and 15,079 employees.</p> <p>It has an international presence through subsidiaries, branches and representative offices. The Group has a presence in the US through TotalBank, in Portugal through Banco Popular Portugal and, since the third quarter of 2014, also holds a 24.9% stake in the Mexican Financial Group Bx+.</p> <p>In addition to its presence in Portugal, United States and Mexico, Banco Popular has an international presence with 14 representative offices (Rio de Janeiro, Sao Paulo, Mexico, Casablanca, Rome, Dubai, Istanbul, Shanghai, Paris, London, Warsaw, Geneva, Frankfurt and Munich) and 3 collaboration offices (Milan, Santiago and Munich).</p>			

<sup>2</sup> This 2016 Resolution plan has been prepared through a joint program of work undertaken by the SRB, Bank of Spain and EROB.





List of critical functions and interdependencies (by country)	<p>The following CEFs have been identified:</p> <ul style="list-style-type: none"> <li>• On demand deposits: Retail;</li> <li>• On demand deposits: SMEs;</li> <li>• Term deposits: Retail;</li> <li>• Term deposits: SMEs;</li> <li>• SMEs Lending;</li> <li>• Payment services;</li> <li>• Cash management.</li> </ul> <p>Following interdependencies were identified within the Group: (i) Governance interconnectedness, as some directors simultaneously assume management positions at the parent company and at some of the relevant companies; (ii) Financial interconnectedness, as relevant financial interrelationships are represented by the deposits of Banco Pastor in Banco Popular, which amount to €6,514 thousand and the financing granted to Banco Popular Portugal; (iii) Legal interconnectedness, [REDACTED] and (iv) Operational interconnectedness as there are number of services that Banco Popular centrally manages and provides to other entities in the group.</p>
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Preferred Resolution Strategy									
Normal insolvency proceedings	No								
Preferred strategy and variants	SPE								
Resolution tools and timeframe	Stabilisation phase: Bail-in Restructuring phase: sale of business								
Loss absorption capacity	<p>The key findings in terms of loss-absorbing capacity on the Group on consolidated level are summarised below:</p> <table border="1" data-bbox="414 1354 950 1659"> <thead> <tr> <th></th><th>GBP</th></tr> </thead> <tbody> <tr> <td>Total liabilities and own funds (M€)</td><td>151,920</td></tr> <tr> <td>Liabilities "in scope" of bail-in (M€)</td><td>[REDACTED]</td></tr> <tr> <td>MREL eligible instruments (M€)</td><td>[REDACTED]</td></tr> </tbody> </table>		GBP	Total liabilities and own funds (M€)	151,920	Liabilities "in scope" of bail-in (M€)	[REDACTED]	MREL eligible instruments (M€)	[REDACTED]
	GBP								
Total liabilities and own funds (M€)	151,920								
Liabilities "in scope" of bail-in (M€)	[REDACTED]								
MREL eligible instruments (M€)	[REDACTED]								
Separability	As an SPE resolution strategy would be applied and the besought resolution tool is the bail in tool, there would be no need to separate any business line or critical economic function to a bridge bank or an asset management company.								
Financial / Operational continuity in Resolution									
Liquidity funding and	An assessment of necessary and available funding sources given the resolution strategy has been performed. [REDACTED]								
Operational continuity	Main contractual relations have been analysed to identify circumstances that may pose a barrier to resolution and alternatives to modify them have been proposed. [REDACTED]								
Access to FMIs	Bank has identified critical FMIs providers in case of resolution. [REDACTED]								



<b>Information and Communication Plan</b>	
<b>Access to information</b>	
<b>Availability of information</b>	
<b>Communication with stakeholders</b>	
<b>Conclusion of the Resolvability Assessment</b>	
<b>Impediments to resolution</b>	<p>The resolvability assessment of the group identifies a number of potential barriers to the resolution of Banco Popular Group, however, at this stage none of these barriers is considered as a substantive impediment within the meaning of Art 10(7) SRMR and neither the formal procedure established therein has been launched nor the group has been formally asked to propose measures in the sense of Art 10(9) SRMR.</p> <p>More analysis will need to be conducted by the Bank and the authorities on the following potential barriers, defining and agreeing specific measures for improving the resolvability of the group:</p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p> <p></p>
<b>MATERIAL CHANGES</b>	
	<p>N/A since this is the first version of the Group Resolution Plan. In May 2015, Banco Popular agreed to increase the share capital, for cash consideration and with pre-emption rights for the company's shareholders. The rights issuance was for a nominal amount of € 1,002,220,576.50, through the issuance and placing of 2,004,441,153 new ordinary shares.</p>
<b>IMPLEMENTATION PLAN</b>	
	<p>The IRT has assessed the main working priorities in which it will focus on Banco Popular resolution planning process for 2017:</p> <p></p> <p></p> <p></p> <p></p> <ul style="list-style-type: none"> <li>Define the target level of MREL for the bank.</li> </ul>





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## 1.2 MATERIAL CHANGES

Not applicable since this section is not available because it is the first version of the Banco Popular's Resolution Plan. Although, in May 2015, Banco Popular agreed to increase the share capital, for cash consideration and with pre-emption rights for the company's shareholders. The rights issuance was for a nominal amount of € 1,002,220,576.50, through the issuance and placing of 2,004,441,153 new ordinary shares.

## 2. STRATEGIC BUSINESS ANALYSIS

Banco Popular Group is a Spanish banking group, whose business strategy is focused on SMEs, groups and families. The business model is centred on SMEs, which has enabled the bank to be a leader in the SME segment, with a market share of 16.7% in Spain.

The group is the sixth largest banking group in Spain in terms of capitalisation. It manages total assets of €158,650 million and serves 4.8 million customers in 16 countries with 15,079 employees and more than 2,000 branches. BPE is a predominantly domestic entity with a nationwide presence.

Also, it has an international presence through subsidiaries, branches and representative offices. The Group has a presence in the United States through TotalBank, in Portugal through Banco Popular Portugal and, since the third quarter of 2014, also holds a 24.9% stake in the Mexican Financial Group Bx+.

In addition to its presence in Portugal, United States and Mexico, Banco Popular has an international presence with 14 representative offices (Rio de Janeiro, Sao Paulo, Mexico, Casablanca, Rome, Dubai, Istanbul, Shanghai, Paris, London, Warsaw, Geneva, Frankfurt and Munich) and 3 collaboration offices (Milan, Santiago and Munich) worldwide.

The international presence of the bank is shown in the picture below.



(1) These figures do not include the employees that Targobank (48.98% owned by Banco Popular) or bancopopular-e (49% owned) have in Spain.

(2) These figures do not include branches that Targobank has in Spain. Nor does it include bancopopular-e branches, as it has no physical branch office network.

## 2.1 GROUP STRUCTURE

The Group is formed of a parent bank (Banco Popular Español S.A., hereafter: BPE) and seven banks, four of which operate in Spain (Banco Pastor, Popular Banca Privada, Targobank and Bancopopular-e, the latter two with stakes of 50% and 49% respectively), one in Portugal (Banco Popular Portugal), one in the United States (Totalbank) and another in Mexico (Ve por Más, hereinafter also referred to as Bx+) with a 25% stake. Finally, the Group also includes two insurance companies (Pastor Vida and Eurovida Portugal).

Bank has a total of 14 representative and 3 collaboration offices in 14 countries and has concluded agreements with several financial institutions in order to promote foreign trade. The Group also has other subsidiaries and maintains interests in other companies that complement the banking business.

Below is a description of the Group's most significant entities, along with details on their nature and the percentage of ownership.

### Banking Business

- Banco Popular Español, S.A.: the Group's parent company offering banking services in Spain.
- Banco Pastor, S.A.: wholly owned by Banco Popular with a network of branches in Galicia and its main activity being commercial banking, both for individual customers and businesses.
- Targobank, S.A.: 48.98% shareholding with Banque Fédérative du Crédit Mutuel, handles individual customers and SMEs.
- Bancopopular-e, S.A.: 49% shareholding with Värde Partners, owner in full of





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### International Banking Business

- Banco Popular Portugal, S.A.: commercial bank founded in 2003 as a result of the acquisition of Banco Nacional de Crédito by Banco Popular. This company, which is wholly owned by Banco Popular, focuses on retail banking, mainly with SMEs.
- Totalbank: the commercial banking business in the United States is offered through Totalbank, a company purchased at the end of 2007 that operates in Florida. At the end of the year 2015, this entity, which is wholly owned by Banco Popular, had 21 branches and 418 employees.
- Grupo Financiero Ve por más S.A. de CV. (BX+): in September 2014, Banco Popular purchased 24.99% of the Mexican financial group, which specialises in SMEs and the agricultural industry.

### Specialist financial services (banking-related services)

- Popular Bolsa S.V., S.A.: securities firm wholly owned by Banco Popular.
- Euro Automatic Cash, Entidad de Pago S.L.: Banco Popular Español (BPE) has a 50% ownership interest in this company. It is in charge of managing all the Group's ATMs, in addition to implementing technological changes required for the cash machine fleet. There are more than 3,000 ATMs distributed across Spain.
- Popular Factoring, S.A.: a subsidiary, wholly owned by the Group, which provides factoring services. These services entail a range of administrative and financial services offering loans to companies. Generally speaking, they are related to credit sales of goods or services and take the form of research, analysis and classification of buyers.

### Real estate

- Aliseda Servicios de Gestión Inmobiliaria, S.L.: a jointly controlled company in which the Bank has a 49% ownership interest. It serves to implement the agreement reached with Värde Partners and Kennedy Wilson to create a joint venture responsible for the property management business.
- Consulteam Consultores de Gestão, Lda.: Instrumental Portuguese real estate Company, in which Banco Popular holds 86.28%.

### Private Banking

- Popular Banca Privada S.A.: a subsidiary that is wholly owned by Banco Popular, specialising in professional wealth management, with a network of 28 branch offices distributed throughout Spain.



### Insurance and asset management companies

- Allianz Popular, S.L.: Banco Popular holds 40% of Allianz Popular, which is in charge of the Group's asset management, pension fund and life insurance businesses.
- Pastor Vida, S.A.: company wholly owned by Banco Popular Español, whose the main activity is to provide life insurance savings services.
- Eurovida, S.A. (Portugal): subsidiary wholly owned by Banco Popular specialising in individual and group pension plan management in Portugal.

The segmentation of Banco Popular business by geographic area is shown below.

	SPAIN <sup>3</sup>		PORTUGAL		UNITED STATES	
	2015	2014	2015	2014	2015	2014
<b>Total Assets</b>	92.0%	92.1%	6.4%	6.6%	1.6%	1.3%
<b>Net Interest Income</b>	89.5%	90.3%	7.6%	7.2%	2.9%	2.5%
<b>Gross Income</b>	92.3%	92.9%	5.6%	5.4%	2.1%	1.7%

## **2.2 OWNERSHIP STRUCTURE**

Banco Popular has 270,114 shareholders. 94.95% of the Bank's shareholders have less than 10,000 shares. Shareholders with more than 800,000 shares control 65.20% of share capital. In 2015, the free float stood at 75.92%. The Board has a 24.08% stake in the share capital. Institutional investors hold 47.21%, made up of 43.52% non-residents and 3.69% residents. Retail investors hold 28.71%, of which residents make up 28.41%.

Shareholders that are also Group employees count for 11,603, 4.30% of total shareholders, and hold an aggregate stake of 1.1% in the share capital. The Bank's Board of Directors controls 521.5 million shares, 24.08% of the share capital, including shares owned directly or indirectly by the Directors and by parties usually represented by them.

The shares are listed on the four Spanish Stock Exchanges and are traded on the Spanish computerised trading system. Banco Popular shares are included in the Madrid Stock Exchange General Index (IGBM), with a weight of 1.092% of the total and in the IBEX-35 index, with a weight of 1.354% at the end of the year. Banco Popular's market

<sup>3</sup> Includes other companies in other geographic areas with a low impact





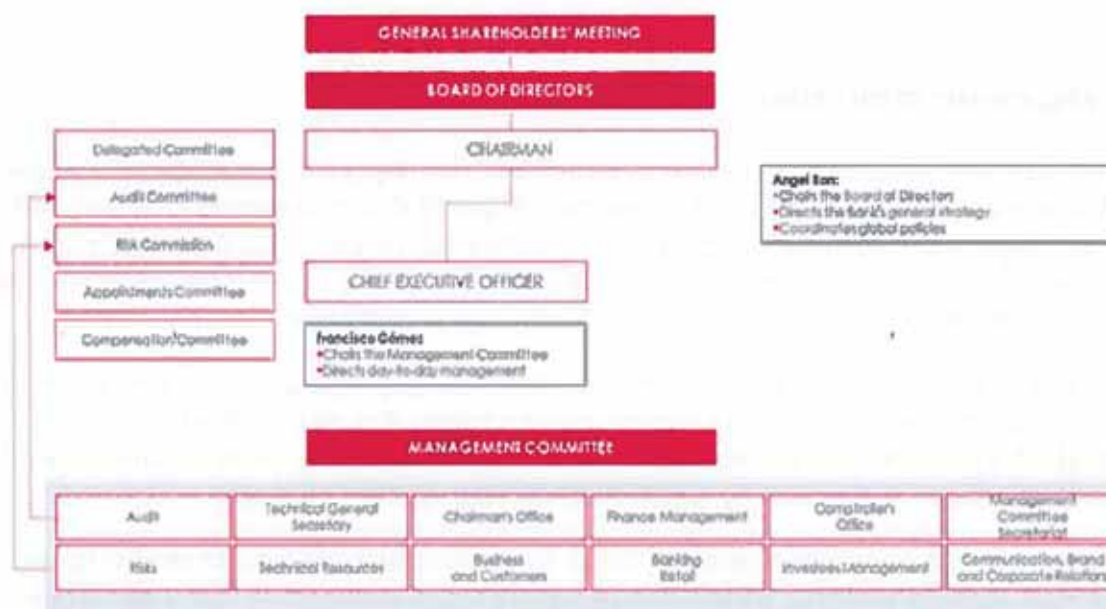
capitalisation at 31 December 2015 stood at €6,588 million. Shares were traded in 256 market sessions, with an average daily trading volume of 15,362 thousand shares.

The following table provides the breakdown of the changes in share capital during the course of 2015, along with the type of transaction.

Date <sup>1</sup>	Transaction		Share Capital
	Type	N. of shares	N. of shares
<b>31.12.14</b>			<b>2,100,768,976</b>
<b>23.01.15</b>	Notes conversion (MCN IV/2012)	3,866,975	2,104,635,951
<b>05.02.15</b>	3rd dividend charged to 2014	7,502,133	2,112,138,084
<b>17.03.15</b>	Notes conversion (MCN II/2012)	29,62	2,112,167,704
<b>06.05.15</b>	4th additional dividend 2014	6,622,974	2,118,790,678
<b>22.06.15</b>	Notes conversion (MCN II/2012)	538,174	2,119,328,852
<b>21.09.15</b>	Notes conversion (MCN II/2012)	74,657	2,119,403,509
<b>02.10.15</b>	2nd dividend charged to 2015	9,658,743	2,129,062,252
<b>07.12.15</b>	Notes conversion (MCN II/2012)	36,013,245	2,165,075,497
<b>31.12.15</b>			<b>2,165,075,497</b>
<b>1 Date on which shares were registered</b>			

## 2.3 OVERNANCE STRUCTURE

The corporate culture at Banco Popular, has shaped a corporate governance model aligned to the Entity's management structure. Picture of governance bodies is showed below.



Corporate governance of the Bank is exercised not only just by the General Shareholders' Meeting, but also by the Board of Directors and its five committees (Audit, Risks, Appointments, Remuneration and the Delegated Committee).

With regard to Executive Management, maximum authority lies with the President and the





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Amongst the decisions adopted recently, the following are worth to mention:

- The Bank has reduced the maximum number of members serving on the Board of Directors to 15, based on the recommendations of the Unified Good Governance Code of Listed Companies.
- A new Risks Committee has been created, which is an advisory body, consisting exclusively of non-executive Directors, which has significantly reinforced risk management standards.

To manage risk globally, the Group has strengthened its "**three lines of defence**" model, which is structured as follows:

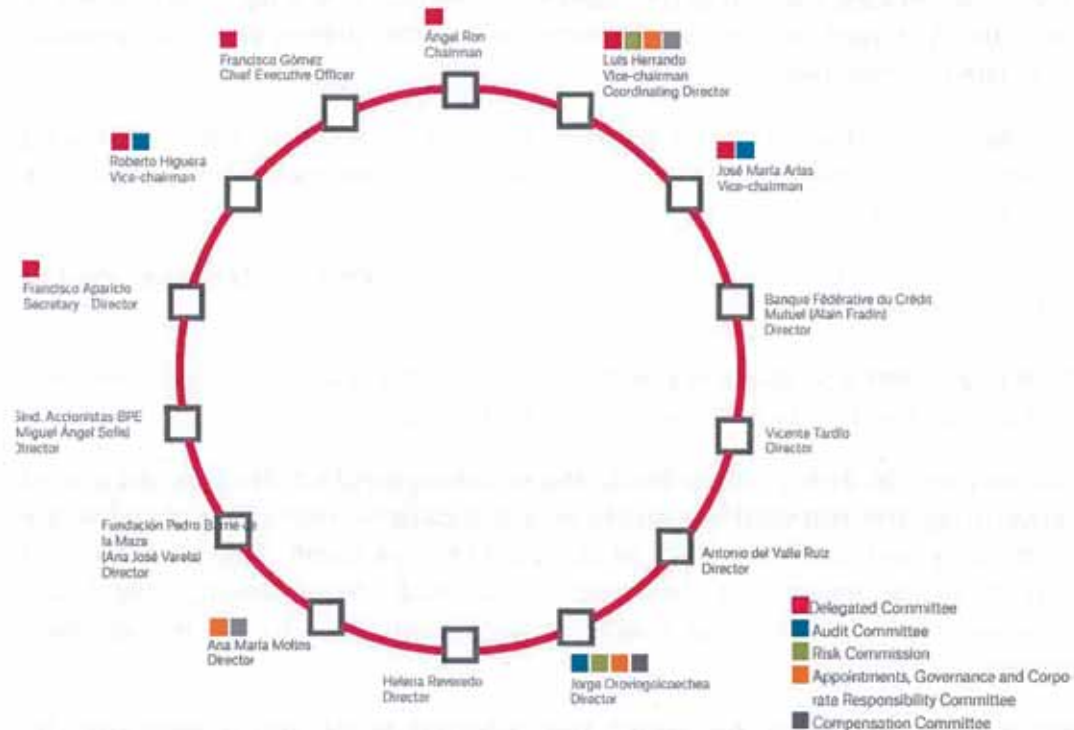
- **The first line relates to business units**, which are responsible for controlling their areas and implementing policies established by their superiors.
- **The second line is designed to facilitate cross-control of risks by means of implementing and monitoring alerts and indicators, reporting on controls** that need to be corrected, improved or analysed in more depth. This second line of defence is made up of the following units: Risk Management, Regulatory Compliance, Internal Control Body and Advisory committees to the Management Committee.
- **The third line of defence, for which the Internal Audit unit is responsible**, carries out independent reviews on the other two levels and assesses the effectiveness of risk control and management and governance processes.

**General Shareholders' Meeting:** In 2015, a single General Shareholders' Meeting was held, which could be attended in person by shareholders owning at least 200 shares (the law allows this minimum to be set as high as 1,000 shares). Shareholders with less than the minimum number of shares had the option of appointing a proxy, even if this person was not a shareholder, and of remotely exercising their voting and representation rights.

**Board of Directors:** The Board of Directors consists of 14 members, 36% of whom are younger than 55, 43% of whom are between the age of 56 and 70 and the remaining 21% of whom are older than 71. 79% are men and 21% are women, while 21% are companies and 79% individuals. Also, 7% of them are nationals of countries other than Spain.

In order to guarantee compliance with the duties belonging to the Board of Directors, five committees have been created and delegated with the responsibility to permanently monitor areas that are particularly relevant to the good governance of the Bank. These committees are as follows: Delegated Committee, Audit Committee, Risk Commission, Appointments, Governance and Corporate responsibility Committee and Compensation Committee.

The provisions of the regulations relating to the operation of the Board of Directors are applied to Board Committees when performing their duties. Board of Directors along with committees they participate in can be found in the picture below.



**Executive Management:** The CEO is supported by the Management Committee, which he chairs, and which consists of 1 general manager, 6 deputy general managers and 5 assistant general managers. All of the 13 members of the Management Committee are Spanish nationals, 8% of them are women, and the average age is 51 years. Each of the components of the Management Committee has been delegated broad authority within the area of their respective competencies. Management Committee analyses and decides upon proposals made by the different business areas, giving the General Management a broader and more thorough view of these areas, and undertakes the implementation and practical application of policies established by the Group.

## 2.4 OVERVIEW OF ASSETS, CAPITAL, REVENUE AND RISK SITUATION

The tables below presents the most important items of the Group assets, capital, revenue and risk situation on consolidated and financial subgroup level. All numbers refer to 31 December 2015.

Overview of assets, capital, revenue and risk situation on consolidated basis.

ASSETS	Dec. 2015	Dec. 2014	CHANGE (%)
Cash and balances with central banks	3,523,007	1,192,814	195.4
Financial assets held for trading	1,285,883	1,689,644	(23.9)
Other financial assets designated at fair value through profit or loss	535,319	510,799	4.8
Available-for-sale financial assets	25,193,155	29,765,352	(15.4)
Loans and receivables	107,018,997	107,827,616	(0.7)
Held-to-maturity investments	-	-	-





ASSETS	Dec. 2015	Dec. 2014	CHANGE (%)
Fair Value changes of the hedged items in portfolio hedges of interest rate risk	233,228	261,023	(10.6)
Hedging derivatives	443,068	441,156	0.4
Non-current assets held for sale	9,045,928	8,201,378	10.3
Investments	1,794,009	1,870,785	(4.1)
Insurance contracts linked to pensions	167,918	162,654	3.2
Reinsurance assets	17,524	16,921	3.6
Tangible assets	1,697,785	1,711,224	(0.8)
Intangible assets	2,571,879	2,492,675	3.2
Tax assets	3,604,163	3,618,098	(0.4)
Other assets	1,518,010	1,694,339	(10.4)
<b>Total Assets</b>	<b>158,649,873</b>	<b>161,456,478</b>	<b>(1.7)</b>

LIABILITIES (Data in thousands of euros )	Dec. 2015	Dec. 2014	CHANGE (%)
Financial liabilities held for trading	1,043,063	1,397,389	(25.4)
Other financial liabilities designated at fair value through profit or loss	599,419	649,354	(7.7)
Financial liabilities at amortised cost	140,508,524	142,227,778	(1.2)
Fair Value changes of the hedged items in portfolio hedges of interest rate risk	-	-	-
Hedging derivatives	2,013,974	2,161,074	(6.8)
Liabilities associated with non-current assets held for sale	-	-	-
Liabilities under insurance contracts	486,829	483,784	0.6
Provisions	383,359	469,998	(18.4)
Tax liabilities	513,483	718,459	(28.5)
Other liabilities	586,597	678,775	(13.6)
<b>Total Liabilities</b>	<b>146,135,248</b>	<b>148,786,611</b>	<b>(1.8)</b>

Profit and Loss account	31/12/201	31/12/201
Interest and similar income	3,508,688	4,167,234
Interest and similar expenses	1,257,452	1,835,843
<b>NET INTEREST INCOME</b>	<b>2,251,236</b>	<b>2,331,391</b>
Return on equity instruments	13,138	14,389
Share of profits (losses) of entities accounted for using the equity method	47,422	33,392
Fee and commission income	655,770	739,400
Fee and commission expenses	60,448	84,693
<b>Net gains (losses) on financial assets and liabilities</b>	<b>517,260</b>	<b>820,609</b>
Financial instruments held for trading	11,540	32,219
Other financial instruments at fair value through profit and	(15,877)	(24,668)
Financial instruments not at fair value through profit and	525,193	786,429
Other	(3,596)	26,629
<b>Exchange differences (net)</b>	<b>45,564</b>	<b>47,232</b>
<b>Other operating income</b>	<b>229,462</b>	<b>342,480</b>
Income from insurance and reinsurance contracts issued	33,241	134,152
Sales and income from provision of non-financial services	13,933	18,543
Remainder of other operating income	182,288	189,785
<b>Other operating expenses</b>	<b>268,493</b>	<b>368,167</b>
Insurance and reinsurance contract expenses	41,119	135,859
Change in inventories	10,761	16,326
Rest of other operating expenses	216,613	215,982
<b>GROSS INCOME</b>	<b>3,430,911</b>	<b>3,876,033</b>





Profit and Loss account	31/12/201	31/12/201
Personnel expenses	935,833	946,235
Other general administrative expenses	667,854	780,050
Depreciation and amortisation	137,753	144,530
Provisioning expense (net)	(35,028)	(44,706)
Impairment losses on financial assets (net)	1,425,587	1,708,832
Loans and receivables	1,382,917	1,690,832
Other financial instruments not at fair value through profit	42,670	18,000
NET OPERATING INCOME	298,912	341,092
Impairment losses on other assets (net)	(21,648)	(30,318)
Goodwill and other intangible assets	-	-
Other assets	(21,648)	(30,318)
Gains (losses) on disposal of assets not classified as non-current held for sale	127,875	498,039
Negative difference on business combinations	-	-
Gains/(Losses) on non-current assets held for sale not classified as discontinued operations	(334,251)	(496,458)
PROFIT/(LOSS) BEFORE TAX	114,184	372,991
Income tax	8,250	43,090
PROFIT/(LOSS) FROM CONTINUING OPERATIONS	105,934	329,901
Profit (loss) from discontinued operations (net)	-	-
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR	105,934	329,901
Profit attributable to the parent company	105,432	330,415
Profit attributable to non-controlling interests	502	(514)
BASIC EARNINGS PER SHARE	0.050	0.159
DILUTED EARNINGS PER SHARE	0.049	0.157

RWAs	31.12.15		31.12.14		Variation (%)
Description	Amount	%	Amount	%	
Total Risk Weighted Assets	74,991,318	100%	79,939,492	100%	(6.19%)
of which Credit Risk	69,051,360	92.08%	72,590,192	90.81%	(4.88%)
of which Operational Risk	5,368,606	7.16%	6,686,200	8.36%	(19.71%)
of which Market Risk	571,352	0.76%	663,100	0.83%	(13.84%)
Average Risk Weighted Assets (ARWA)	78,880,371	100%	82,915,639	100%	(4.87%)
RORWA (%)		0.13		0.40	

Financial variables of the main MLEs are as follows:

Material Legal Entity	Activity	Assets		Liabilities		Own Funds		Gross Income	
		CM	%	CM	%	CM	%	CM	%
Banco Popular Español	Banking business	148,744	75.8%	136,690	74.9%	12,309	89%	3,177	79.6%
Banco Pastor	Banking business	11,580	5.9%	10,960	6.0%	619	4.5%	263	6.5%
Banco Popular Portugal	International Banking Business	9,138	4.7%	8,417	4.6%	755	5.5%	162	4.1%
Popular Banca Privada	Banking business	969	0.5%	895	0.5%	72	0.5%	29	0.7%
Individual figures in million €		170,431	86.9%	156,962	86.0%	13,755	99.50%	3,631	90.9%





## 2.5 DESCRIPTION OF BUSINESS MODEL AND BUSINESS LINES

Banco Popular Group's business model is focused, in particular, on commercial banking and SMEs. Bank is a leading commercial banking institution in Spain. Loans and advances to customers account for 63% of its business. The Bank is almost entirely dedicated to commercial banking activities, focusing on financing, savings management and financial services for individuals, families and companies. When it comes to SMEs, bank provides for more than €35,000 million in financing in Spain. It has the highest market share in Spain (17%; one in four SMEs is a customer of Banco Popular). The group is one of the leaders in granting financing via ICO lines<sup>4</sup>, with a market share of 12.9% in 2015.

The mayor financial magnitudes by business areas are shown in table below.

Business Area	Commercial Banking		Asset Management and Insurance		Real Estate area		Institutional and Markets	
Description	Weight 2015 (%)	Weight 2014 (%)	Weight 2015 (%)	Weight 2014 (%)	Weight 2015 (%)	Weight 2014 (%)	Weight 2015 (%)	Weight 2014 (%)
Net interest income	107.3	109.3	1.9	1.8	(17.4)	(16.1)	8.3	5.0
Gross income	91.6	82.1	2.0	3.1	(14.6)	(9.7)	20.9	24.6
Operating income before	113.2	85.7	2.5	4.6	(41.6)	(23.8)	25.9	33.5
Profit/(loss) on operating activities*	190.3	23.5	17.0	25.2	(239.6)	(139.9)	132.3	191.2
Profit/(loss) before tax	548.8	153.9	44.4	23.0	(841.0)	(241.9)	347.8	164.9
Total Assets	62.3	60.6	1.1	0.9	7.6	6.6	29.0	31.9

\* The weights in the segments show their positive or negative contribution.

## 2.6 CRITICAL FUNCTIONS AND CORE BUSINESS LINES

**Core Business Lines (CBLs)** - The CBLs have been selected on the basis of the following criteria<sup>5</sup>:

Types	Criteria	Indications	Thresholds
Quantitative	Managed resources	Total customer resources	
		Total Assets	
	Regulatory capital	Regulatory capital	
		Total Regulatory Capital	
	Contribution to gross income	Gross income	
		Total Gross Income	

<sup>4</sup> Instituto de Crédito Oficial- Official Spanish public Credit Institute

<sup>5</sup> Following EBA/CP/2015/05 Technical advice on the delegated acts on critical functions and core business lines



Qualitative	Market position	Market share	
	Strategic importance	Qualitative assessment	

The application of abovementioned methodology delivers the following results:

Business lines	Market position	Strategic importance	Relevant business lines
Commercial Banking (including asset management and insurance)			✓
Markets and Institutional Area			✓
Real Estate Area			x

**Critical Economic Functions (CEFs)**- FSB Guidance on Identification of Critical Functions and Critical Shared Services and the technical advice issued by the EBA (EBA/Op/2015/05) have been used in order to identify CEFs of Banco Popular, which are the following:

Economic roles	Critical role?	Criticality analysis		Market share
		Systemicity	Substitutability	
<b>Deposits</b>				<b>5.95%</b>
<b>A. On demand deposits</b>				4.58%
Retail	✓			-
SMEs	✓			-
Corporate	x			-
<b>B. Term deposits</b>				7,71%
Retail	✓			-
SMEs	✓			-
Corporate	x			-
<b>Lending business</b>				<b>7.68%</b>
<b>A. Mortgage</b>	x			3.18%
<b>B. Consumption</b>	x			4.79%
<b>C. Cards</b>	x			7.5%
<b>D. Businesses</b>				12,28%
SMEs	✓			16.68%
Corporate	x			-
<b>E. Real Estate</b>				-
Developers	x			-
Property asset management	x			-
<b>F. Export credit</b>	x			-
<b>G. Infrastructure development loans</b>	x			-
<b>H. Project finance</b>	x			-
<b>I. Public Sector</b>	x			-
<b>J. Leasing</b>	x			12.21%
<b>K. Factoring and confirming</b>	x			5.17%
<b>Insurance</b>				
<b>A. Insurance business</b>				
Life insurance				
Savings	x			-
Risk	x			-
General insurance	x			-
<b>B. Pension fund management</b>	x			5.25%
<b>Capital markets and others</b>				
<b>C. Investment fund</b>	x			5.27%





Economic roles	Critical role?	Criticality analysis		Market share
		Systemicity	Substitutability	
D. Investment portfolio				
Private debt	x			
Government debt securities	x			
Equity	x			
E. Own issues	x			
F. Creation of derivative markets activity	x			
G. Trading	x			
H. Brokerage	x			
Wholesale finance markets				
A. Interbank	x			
B. Repos	x			
C. Security loans	x			
Payments and others				
A. Custody	x			
B. Payment services	✓			
C. Liquidation and offsets	x			
D. Cash management	✓			
Risk management services				
A. Interest rate derivatives	x			
B. Exchange rate derivatives	x			

### Mapping of Critical Economic Functions to Material Legal Entities

The table below lists the entities considered as Material Legal Entities along with the Core Business Lines identified.

Material Legal Entities / Critical Economic Functions	Banco Popular Español	Banco Pastor	Banco Popular Portugal	Popular Banca Privada
Retail deposits	✓			
Loans to SMEs	✓			
Payment services	✓			
Cash management	✓			

## 2.7 CRITICAL INTERNAL AND EXTERNAL INTERDEPENDENCIES

### Internal interdependencies

- **Governance interconnectedness-** some directors simultaneously assume management positions at the parent company and at some of the relevant companies. Furthermore, some directors of subsidiaries, although they do not hold a position of responsibility at head office, are directors at Banco Popular.
- **Financial interconnectedness-** relevant financial interrelationships are represented by the deposits of Banco Pastor in Banco Popular, which amount to €6,514 thousand and the financing granted to Banco Popular Portugal.



In this respect, the main relationships identified at asset level are as follows:

- Loans and advances to credit institutions: deposits maintained by Banco Popular at entities that belong to the Group.
- Loans and advances to customers: loans offered by Banco Popular where the borrower is a subsidiary.
- Ownership interests: ownership interests in associates and multi-group entities.

The main relationships identified at liability level are as follows:

- Customer deposits: deposits received by Banco Popular from subsidiaries included in the Group.
- Debt certificates: bonds and other debt represented by marketable securities, other than subordinated liabilities.

The following main exposures have been identified for suspense accounts:

- Contingent exposures: includes all transactions that guarantee third-party obligations, arising as a result of guarantees given.
- Contingent commitment: potential obligations as a result of past events, the existence of which is dependent on future events over which the entity has no control.
- Third-party transactions: assets managed by third parties for which the entity is responsible.

The analysis of internal business relationships identifies commercial relationships between the Group's relevant subsidiaries. In this respect, only the relationship between Popular Banca Privada and Banco Popular has been identified as relevant, as approximately 55% of Popular Banca Privada customers come from Banco Popular.

○ **Legal interconnectedness -**

[REDACTED]

- **Operational interconnectedness-** There are number of services that Banco Popular centrally manages and provides to other entities in the group; i.e. internal auditing services, complaint services, legal counsel and regulatory compliance, technological management services, accounting and back office activities, human resources services, etc.

### External interdependencies

- **Asset counterparties-** The analysis of asset counterparts seeks to establish the level of concentration of the Bank's exposures. The following table shows the 10 main asset counterparties in relation to phased-in CET 1. Main asset counterparties are showed in table below.

	Counterpart	Exposure (thousands of €)	w/out PI CET 1
1			
2			







[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

- Joint ventures-** Banco Popular Group has signed a series of agreements with third parties in order to create joint ventures to provide services to Banco Popular businesses (i.e. Aliseda SGI), or to jointly operate new businesses. In most cases, Banco Popular holds approximately 50% of capital, leaving the management of the company to the external partner and as a result, they do not form part of its economic or consolidable group. Nonetheless, all of them involve partnership agreements under which Banco Popular holds a very important position on the governing bodies of the companies and, in many cases, retains the right to veto the main corporate decisions. Therefore, Banco Popular nominates members to the Board of Directors at the investee company, who serve to reinforce control over these entities, which provide services to the group or operate joint ventures.

The following table provides more details on the main joint ventures.

Type		Joint Venture	Holding Company	Partner	%	Control
Holding	Insurance					
	CII Pension funds	Allianz Popular Holding	Banco Popular	Allianz	40%	x
Methods of Payment	ATMs	Euro Automatic Cash	Banco Popular	Crédit Mutuel	50%	x
Banks	Cards	Bancopopular e-com	Banco Popular	Värde Partners	49%	x
Asset Management Company	Property asset management	Aliseda SGI	Banco Popular	Värde Partners/ Kennedy Wilson	49%	x

## 2.8 CRITICAL SYSTEMS AND INFRASTRUCTURE

**Critical IT systems in resolution-** The main IT external suppliers identified in terms of turnover are as follows:

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

The analysis of their contracts give the necessary information to ensure that they don't



## Critical FMIs in resolution-

The table with more details on FMIs can be found in section 4.3 of this document.

### 3. PREFERRED RESOLUTION STRATEGY

#### 3.1 ASSESSMENT OF FEASIBILITY AND CREDIBILITY OF NORMAL INSOLVENCY PROCEEDINGS

It is considered that the liquidation of GBP under normal insolvency proceedings is not credible, given the potential adverse effect it is likely to create for the real economy and the Spanish financial system. This is mainly due to its size, number of deposits and interconnections. The sudden interruption of the provision of essential economic functions might directly and indirectly impact on other credit institutions and have adverse effects on customers (mostly individuals and SMEs).

For determining the point of entry into resolution, the Article 6 of the RTS on the content of resolution plans and the assessment of resolvability (EBA/RTS/2014/15) has been considered. In compliance with the criteria mentioned above, it is determined that the most appropriate strategy in case of resolution of the Group would be an SPE, with BPE as a point of entry.

#### 3.2 FACTORS DETERMINING THE IMPLEMENTATION OF A PREFERRED RESOLUTION STRATEGY

**Loss absorbing capacity-** The following table provides an overview of the amounts of own funds and liabilities of GBP and parent entity of the group- BPE. This information is derived from the liability data templates (LDT).

Exclusions	
Covered deposits	(BRRD art. 44/2/a)
Secured liabilities - collateralized part	(BRRD art. 44/2/b)
Client liabilities	(BRRD art. 44/2/c)
Fiduciary liabilities	(BRRD art. 44/2/d)
Institution liabilities < 7 days	(BRRD art. 44/2/e)
System (operator) liabilities < 7 days	(BRRD art. 44/2/f)
Employee liabilities	(BRRD art. 44/2/g/i)
Critical service liabilities	(BRRD art. 44/2/g/ii)
Tax and social security authorities liabilities	(BRRD art. 44/2/g/iii)
DGS liabilities	(BRRD art. 44/2/g/iv)



[illegible]

The key findings in terms of loss-absorbing capacity on the Group on consolidated level are summarised below.

	GBP
Total liabilities and own funds (M€)	151,920
Liabilities "in scope" of bail-in (M€)	
MREL eligible instruments (M€)	

### 3.2.1 SEPARABILITY

The SPE strategy is proposed for Banco Popular, and the besought resolution tool is the bail in tool, hence there would be no need to separate any business line or critical economic function to a bridge bank or an asset management company.

Given that the Bank has significant Joint Ventures in business lines with non-critical functions in place, due to JV experience inside GBP, the separability of these entities by selling them to the partner of the JV would be feasible without requiring institutions to



### 3.3 KEY ELEMENTS OF THE PREFERRED RESOLUTION STRATEGY

#### 3.3.1 RESOLUTION TOOLS, POWERS, TIMEFRAME AND DECISION-MAKING

The preferred resolution strategy would be applied in two stages: first a stabilization stage, followed by a restructuring of the business activities of the group.

In stabilization phase the bail-in tool would be applied at the level of the parent entity of the group (Banco Popular Español, S.A). In restructuring phase, as it is a legal requirement under the BRRD, the management of the entity or group in resolution must submit a business reorganization plan within one month. The resolution authority may carry out additional measures during this restructuring phase in order to fully restore the group's viability while maintaining market confidence at all times.

The Group's design is based on a centralized structure with four material legal entities: Banco Popular Español, Banco Pastor, Popular Banca Privada and Banco Popular Portugal. Banco Pastor, Popular Banca Privada and Banco Popular Portugal are fully-owned subsidiaries of Banco Popular Español.

In compliance with the criteria mentioned above, it is deemed that the most appropriate resolution strategy for the group would be an SPE, with the point of entry located in BPE, due to the following reasons:

- [REDACTED]
- **Common Governance:** Some directors simultaneously assume management positions at the parent company and some of other relevant companies. Furthermore, some directors of subsidiaries, although they do not hold a position of responsibility at head office, perform managerial positions in Banco Popular. Since the parent company has shared governance with MLEs (showed in table below), it is appropriate to apply an SPE resolution strategy.

Material Legal Entities	Board Members	Are Directors at BPE	Are Board Members at BPE
Popular Banca Privada	6	-	2
Banco Pastor	7	2	2
Banco Popular Portugal	6	2	-

- **BPE Products distribution:** MLEs of the group Banco Popular are either 'product' of Banco Popular Español, using BPE's network almost exclusively as distribution network of their products as Banco Popular Group companies, shared services or an financial vehicle companies for foreclosed assets.





- **Highly integrated group:** The business model, the operating structure and the systems of the material legal entities of the Banco Popular Group are highly integrated.
- **Cross-Border transactions regime:** The main subsidiary abroad is Banco Popular Portugal, which is subject to a common resolution framework with BPE.
- There are **relevant financial interconnections** with Banco Popular Portugal and Banco Pastor.

**Stabilization phase-** The resolution tool would be a bail-in applied to own funds and eligible liabilities of GBP.

BAIL-IN SEQUENCE		GBP	% Total assets
Priority ranking			
Ordinary unsecured, non-preferred creditors			
Subordinated			
T2			
AdT1			
CET1			
Total bail-in instruments			
Total assets			
RWA (Current Regime)			
RWA (Fully Fledged)			

As a preliminary step to the bail-in tool implementation, the information on the composition and hierarchy of the capital instruments and eligible liabilities would have to be updated.

### Restructuring phase-

The table below includes possible sales, together with their estimated impacts.







[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

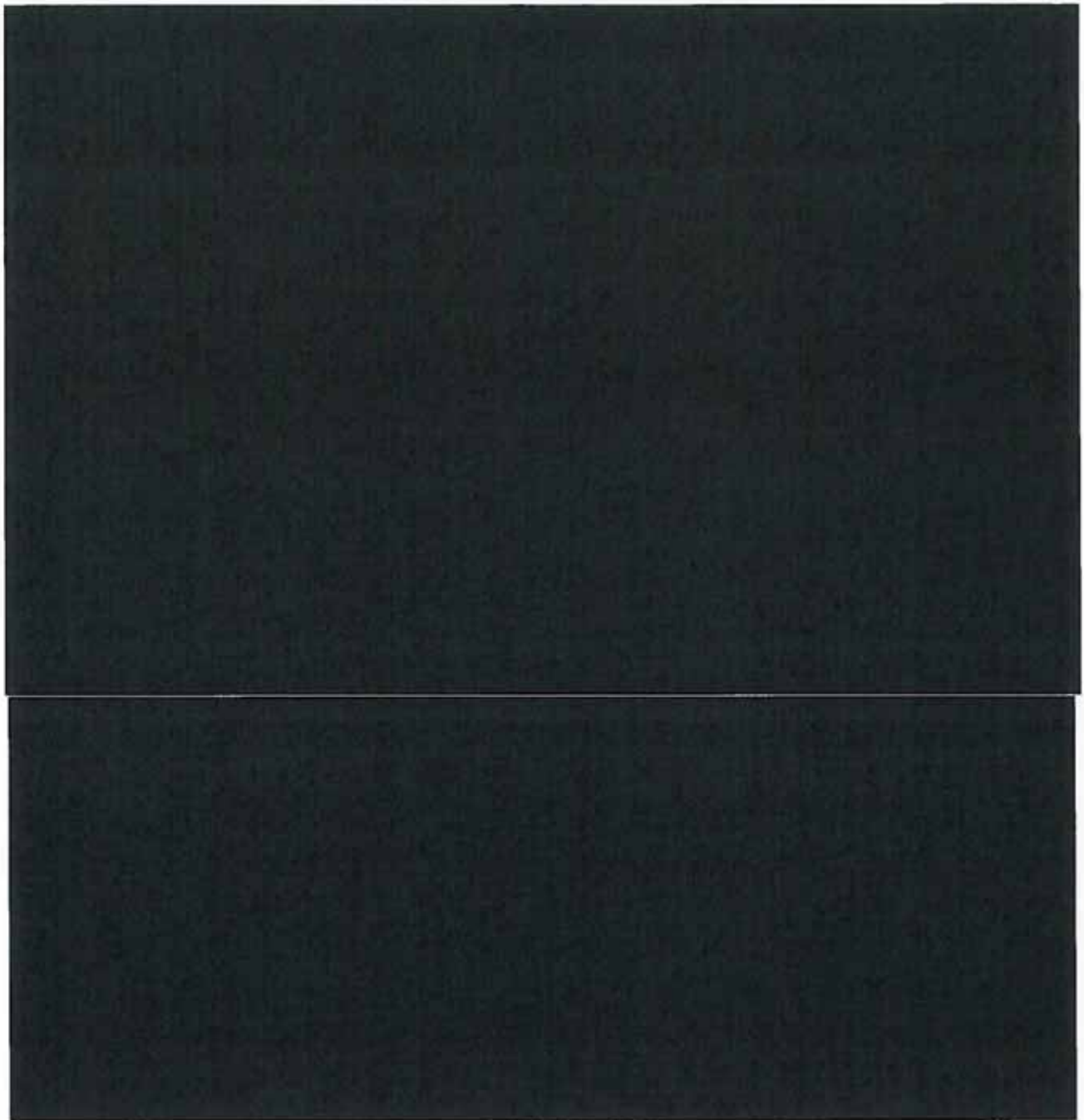
Additional assumptions.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



**Estimated liquidity needs in a hypothetical resolution scenario-** The following table shows the financing capacity in this case.







#### **4.2 DESCRIPTION OF ARRANGEMENTS FOR OPERATIONAL CONTINUITY IN CASE OF RESOLUTION**

This section presents a preliminary analysis of the arrangements needed to ensure the operational continuity necessary to enable a bank's resolution and support its post resolution actions (e.g. restructuring). Both EBA guideline (EBA/GL/2015/06 of 20 May 2015) and FSB "Guidelines for agreements to support operational continuity in the resolution", of 3 November 2015, contain specific actions and procedures that must be taken into account in the drafting of the resolution plans.

A degree of continuity protection is provided such that a Critical Shared Services (CSS) or Financial Market Infrastructures (FMI) within the EU cannot cease providing services to an EU-based entity as a result of going into resolution. In particular, articles 64 (3) and 68 (3) BRRD provide that Member States must give resolution authorities the powers to ensure for continuity arrangements to guarantee that a resolution action is effective. This implies that no contractual counterparty may take action to terminate a contract or enforce security or netting positions (amongst others) provided that the substantive obligations under the contract continue to be performed.

According to GBP, two factors have been analysed to ensure the operational continuity, CSS and FMIs in which it participates.

To this end, main contractual relations have been analysed to identify circumstances that may pose a barrier to resolution and alternatives to modify them have been proposed. Further analysis will be provided in the next resolution plan.

##### **Critical Shared Services**

GBP outsources certain operational and technological responsibilities to external companies which are considered relevant based on their link to the business model implemented or the implications that would arise from the start of a crisis process.

The main external services suppliers identified are shown below:

[REDACTED]

[REDACTED]

[REDACTED]

[illegible]

#### 4.3 ARRANGEMENTS FOR ENSURING ACCESS TO FMI AND PREVENTING DISRUPTION TO CLIENT ACTIVITY

To determine the consequences that a resolution process might have on the operational continuity of GBP, various FMIs have been analyzed:

- **Criticality:** three levels of criticality have been defined based on (i) the inherent criticality of the function developed by the FMI; (ii) the involvement of the FMI in the provision of GBP CEFs or financing activities; (iii) its level of involvement in CBLs.
  - **High:** a material / significant use of the FMI is required for: (i) the development of CEFs; (ii) the performance of financing activities, or (iii) where the functions performed by FMI are critical by themselves.
  - **Medium:** if the FMI is not involved in the provision of CEFs but is used in the development of CBLs or shared services.
  - **Low:** other FMIs that do not meet the above criteria.

In addition, the volumes processed in each one of the FMIs and its relation to the customer's activities have been considered.

- **Operational continuity risk:** analysis of contractual terms and conditions of access to these FMIs (three levels):
  - **High risk.** When the contract contains clauses by which the contractual relationship could be broken by the FMI, in the event of (i) material breach of the obligations of the contract; (ii) bankruptcy or ordinary liquidation; or (iii) in case of resolution, restructuring or negotiating with creditors processes.
  - **Medium risk.** When the contract contains clauses by which the contractual relationship could be broken by the FMI, in the event of (i) material breach of





the obligations of the contract; (ii) bankruptcy or ordinary liquidation; but (iii) not in case of resolution, restructuring or negotiating with creditors processes.

- o **Low risk.** Contracts which, by their nature of utility, it is highly unlikely that will create problems on a hypothetical resolution of the Group.

The table below summarizes the results of the FMI's assessment.



Nature	Market agents	Risk to operational continuity	Criticality	CEF	CBL	Comments
Clearing Houses	MEFF Clear					
	Eurex Repo					
	LCH Clearnet Group					
	CLS Bank					
	BME Clearing					
Trading Markets	Madrid / Barcelona / Valencia / Bilbao Stock Exchange					
Payment Systems	Iberpay (SNCE + SDA)					
	Sistemas 4B					
	EBA Clearing (STEP2)					
	ServiRed					
	Target 2					





Nature	Market agents	Risk to operational continuity	Criticality	CEF	CBL	Comments
Central Securities Depository (CSD)	Iberclear					
	Clearstream					
	Monte Titoli					

## 5. INFORMATION AND COMMUNICATION PLAN

### 5.1 GOVERNANCE OF INFORMATION PROVISION

According to Art. 36 of the BRRD, prior to adopting any resolution measure and, in particular, for the purposes of determining whether the conditions for the resolution and application of the legally envisaged instruments are met, the resolution authorities will appoint an independent expert to perform the valuation of Banco Popular. The independent expert should:

- Report on Banco Popular's meeting the non-viability conditions.
- Determine the scope of the bail-in (level of losses and of recapitalisation requirements, assessing the impact on Banco Popular's own funds and liabilities).

The resolution authorities will proceed to appoint one or several independent experts, pursuant to the regulations. The independent experts should:

- Have the knowledge, experience, skills and resources to perform the valuation.
- Be free from any conflict of interest, most especially with respect to the resolution authorities and Banco Popular itself.



## **5.2 INFORMATION AND ARRANGEMENTS FOR THE PROVISION OF INFORMATION**

According to the BRRD and EBA/RTS/2015/07<sup>6</sup>, three different valuations must be carried out by independent valuers for the following purposes:

- a.** Valuation 1: in order to inform the determination whether the institution or group is failing or likely to fail. This valuation must be consistent with the accounting and regulatory framework that is applicable to the group.
- b.** Valuation 2: if the conditions for resolution are met, to inform the decision by resolution authority about the appropriate resolution action to be taken. The SRB has not started to assess the ability of Banco Popular to support different types of valuations of its assets and liabilities that would be required to be performed by an independent auditor in a resolution scenario.
- c.** Valuation 3: determination of whether the principle of "non - creditors worse off than in liquidation" is met.

In order to test the banks' ability to swiftly provide the granular information about their liabilities which would be necessary in order to implement resolution decisions, the SRB has required all banking groups within its remit to complete a liability data template (LDT) for all relevant group entities.

## **5.3 COMMUNICATION FRAMEWORK**

The SRB and FROB will make a coordinated use of all types of channels in order to better reach the different stakeholders: press releases, reactive response to media, management of social media and social networks, e-mails, publication in the website, specific Q&As, phone calls, letters, one to one meetings and press conferences without prejudice to the instruments to be used by the entity which would be selected depending on terms of the severity and specific characteristics of the crisis and the content to be transmitted.

As part of the Resolution Plan, GBP has designed both an internal and external Communication Plan, which addresses a wide range of stakeholders and foresees the use different channels. It aims to reduce the potential adverse market reactions, avoid potential "contagion effect" in the system, ensure the continuity of the business and the employees' stability as well as comply with the regulatory requirements.

Once the decision to put GBP into resolution is adopted, the communication strategy will be coordinated and executed by the SRB and FROB.

## **6. CONCLUSION OF THE ASSESSMENT OF RESOLVABILITY**

The assessment of the resolvability of Banco Popular Group is based on the principles contained in Directive 2014/59/EU (BRRD) and the technical specifications defined in the RTS on the content of resolution plans and the assessment of resolvability (EBA/RTS/2014/15, hereinafter the 'RTS on resolution').

<sup>6</sup> Draft Regulatory Technical Standards on independent valuers under Article 26(14) of Directive 2014/59/EU



More analysis will need to be conducted by the bank and the authorities on the following potential barriers, defining and agreeing specific measures for improving the resolvability of the group. The actions already ongoing are mentioned in section 6.2 below.

[illegible]



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## **6.2 MEASURES PROPOSED BY THE INSTITUTION OR GROUP OR REQUIRED BY THE RESOLUTION AUTHORITY TO ADDRESS OR REMOVE IMPEDIMENTS**

The preceding chapter has highlighted several potential barriers to the resolvability of Banco Popular Group, however at this stage none of these barriers are considered a substantial impediment within the meaning of Art 10(7) SRMR and neither the formal procedure established therein has been launched nor the group has been formally asked to propose measures in the sense of Art 10(9) SRMR.

The IRT has assessed the main working priorities in which it will focus on Banco Popular's resolution planning process for 2017:

- ████████████████████████████████████████████████████████████████████████████████  
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- ████████████████████████████████████████████████████████████████████████████████  
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- ████████████████████████████████████████████████████████████████████████████████  
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- Define the target level of MREL for the bank.
-